

**QUARTERLY STATEMENT**

**OF THE**

**UAHC HEALTH PLAN of TENNESSEE**

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**of** **MEMPHIS**

**in the state of** **TENNESSEE**

**TO THE**

**Insurance Department**

**OF THE**

**STATE OF TENNESSEE**

**FOR THE QUARTER ENDED**  
**September 30, 2006**

**HEALTH**

**2006**



00000200620100103

HEALTH QUARTERLY STATEMENT

AS OF SEPTEMBER 30, 2006

OF THE CONDITION AND AFFAIRS OF THE

UAHC Health Plan of Tennessee

NAIC Group Code 0000 0000 NAIC Company Code 00000 Employer's ID Number 62-1547197

Organized under the Laws of , State of Domicile or Port of Entry TN

Country of Domicile

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ]
Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [ ]
Other [ ] Is HMO Federally Qualified? YES [ ] NO [ ]

Incorporated/Organized: October 6, 1993 Commenced Business: January 3, 1994

Statutory Home Office: 1769 Paragon Suite 100 Memphis, TN 38132

Main Administrative Office: 1769 Paragon Suite 100 Memphis, TN 38132 901-348-2201

Mail Address: 1769 Paragon Suite 100 Memphis, TN 38132

Primary Location of Books and Records: 1769 Paragon Suite 100 Memphis, TN 38132 901-348-2201

Internet Website Address: N/A

Statutory Statement Contact: Stephen Harris 901-348-2201
sharris@uahc.com 901-348-2212

Policyowner Relations Contact: 1769 Paragon Suite 100 Memphis, TN 38132 901-348-2201

OFFICERS

Name	Title
1. Stephanie Dowell	Chief Exective Officer
2. Stephen Harris	Chief Financial Officer
3.	

Vice-Presidents

Name	Title	Name	Title
Myla Johnson	Vice-President Medical Services	Edward Reed, M.D.	Senior Vice-President & Medical Director
Stacy Hill	Vice-President MIS		

DIRECTORS OR TRUSTEES

Stephanie Dowell	Stephen Harris	Tom Goss	Samuel King
Grover Barnes M.D.	Julius V. Combs, M.D.	Griselle Fiqueredo, M.D.	Lloyd Robinson
Logan Miller M.D.	Neal Beckford M.D.	Stan Sawyer	William Brooks
Alvin King			

State of
County of ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Stephanie Dowell	Stephen Harris	
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
Chief Exective Officer	Chief Financial Officer	
(Title)	(Title)	(Title)

Subscribed and sworn to before me this day of , 2006
a. Is this an original filing? YES [ X ] NO [ ]
b. If no: 1. State the amendment number
2. Date filed 12/01/2006
3. Number of pages attached

ASSETS

	Current Statement Date			4  December 31 Prior Year Net Admitted Assets
	1  Assets	2  Nonadmitted Assets	3  Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	7,432,918		7,432,918	7,140,257
2. Stocks:				
2.1 Preferred stocks				
2.2 Common stocks				
3. Mortgage loans on real estate:				
3.1 First liens				
3.2 Other than first liens				
4. Real estate:				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 2,461,573 ), cash equivalents (\$ 0 ) and short-term investments (\$ 0 )	2,461,573		2,461,573	1,382,091
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets	2,613,703		2,613,703	2,605,000
8. Receivables for securities				
9. Aggregate write-ins for invested assets	2,300,000	2,300,000		
10. Subtotals, cash and invested assets (Lines 1 to 9)	14,808,194	2,300,000	12,508,194	11,127,348
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	278,978		278,978	56,429
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	1,029,299		1,029,299	1,097,743
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$ 360,956 ) and other amounts receivable	681,205	681,205		
23. Aggregate write-ins for other than invested assets	81,520	81,520		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	16,879,196	3,062,725	13,816,471	12,281,520
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	16,879,196	3,062,725	13,816,471	12,281,520

DETAILS OF WRITE-INS				
0901. ESCROW PER STATE OF TN	2,300,000	2,300,000		
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)	2,300,000	2,300,000		
2301. PREPAID EXPENSES	81,520	81,520		
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	81,520	81,520		

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)				
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserve				
7. Aggregate health claim reserves				
8. Premiums received in advance				
9. General expenses due or accrued	208,981		208,981	127,308
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))	185,820		185,820	226,400
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others				
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	710,957		710,957	58,476
16. Payable for securities				
17. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans				
21. Aggregate write-ins for other liabilities (including \$ 0 current)	1,349,548		1,349,548	1,097,743
22. Total liabilities (Lines 1 to 21)	2,455,306		2,455,306	1,509,927
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	200,000	200,000
25. Preferred capital stock	X X X	X X X	12,550,000	12,550,000
26. Gross paid in and contributed surplus	X X X	X X X		
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X		
29. Unassigned funds (surplus)	X X X	X X X	(1,388,835)	(1,978,407)
30. Less treasury stock, at cost:				
30.1 0 shares common (value included in Line 24 \$ 0 )	X X X	X X X		
30.2 0 shares preferred (value included in Line 25 \$ 0 )	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	11,361,165	10,771,593
32. Total liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	13,816,471	12,281,520

DETAILS OF WRITE-INS				
2101. PREMIUM TAX PAYABLE	1,029,299		1,029,299	1,097,743
2102. CLAIMS AUDIT	320,249		320,249	
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	1,349,548		1,349,548	1,097,743
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	X X X	X X X		
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1	2	3
	Uncovered	Total	Total
1. Member Months	X X X	1,087,489	1,176,660
2. Net premium income (including \$ 0 non-health premium income)	X X X		
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X	360,956	524,426
7. Aggregate write-ins for other non-health revenues	X X X		
8. Total revenues (Lines 2 to 7)	X X X	360,956	524,426
Hospital and Medical:			
9. Hospital/medical benefits		(84,071)	1,709
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		(84,071)	1,709
Less:			
17. Net reinsurance recoveries			369,197
18. Total hospital and medical (Lines 16 minus 17)		(84,071)	(367,488)
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 0 cost containment expenses		4,772,644	4,773,213
21. General administrative expenses		(4,996,266)	(5,687,186)
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		(307,693)	(1,281,461)
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	668,649	1,805,887
25. Net investment income earned		481,866	111,376
26. Net realized capital gains (losses) less capital gains tax of \$ 0			
27. Net investment gains (losses) (Lines 25 plus 26)		481,866	111,376
28. Net gain or (loss) from agents' or premium balances charged off [( amount recovered \$ 0 ) (amount charged off \$ 0 )]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	1,150,515	1,917,263
31. Federal and foreign income taxes incurred	X X X	185,444	374,992
32. Net income (loss) (Lines 30 minus 31)	X X X	965,071	1,542,271

DETAILS OF WRITE-INS			
0601. MISCELLANEOUS REVENUE	X X X		521,814
0602. PHARMACY REBATE	X X X		2,612
0603. TENNCARE RISK TARGET REVENUE	X X X	360,956	
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	360,956	524,426
0701.	X X X		
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2	3
	Current Year To Date	Prior Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33. Capital and surplus prior reporting year	10,771,593	11,671,958	11,671,958
34. Net income or (loss) from Line 32	965,071	1,542,271	1,683,187
35. Change in valuation basis of aggregate policy and claim reserves			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0	30,815	38,452	72,860
37. Change in net unrealized foreign exchange capital gain or (loss)			
38. Change in net deferred income tax			
39. Change in nonadmitted assets	(406,314)	(2,300,000)	(2,656,412)
40. Change in unauthorized reinsurance			
41. Change in treasury stock			
42. Change in surplus notes			
43. Cumulative effect of changes in accounting principles			
44. Capital Changes:			
44.1 Paid in			
44.2 Transferred from surplus (Stock Dividend)			
44.3 Transferred to surplus			
45. Surplus adjustments:			
45.1 Paid in			
45.2 Transferred to capital (Stock Dividend)			
45.3 Transferred from capital			
46. Dividends to stockholders			
47. Aggregate write-ins for gains or (losses) in surplus			
48. Net change in capital and surplus (Lines 34 to 47)	589,572	(719,277)	(900,365)
49. Capital and surplus end of reporting period (Line 33 plus 48)	11,361,165	10,952,681	10,771,593

DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page			
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)			

Report #2A TENNCARE OPERATIONS STATEMENT OF REVENUE AND EXPENSES

Statement as of September 30, 2006 of UAHC Health Plan of TN, Inc.

	Current Period	Current Year to Date	Prior Calendar Year
MEMBER MONTHS	341,375	1,077,184	1,545,287
REVENUES:	-		
1. TennCare Capitation	48,681,646	156,129,402	230,622,544
2. Investment	98,032	481,866	172,925
3. Other Revenue (Provide detail)	33,596,868	44,460,383	55,359,263
4. TOTAL REVENUES (Lines 1 to 3)	82,376,546	201,071,651	286,154,733
EXPENSES:			
Medical and Hospital Services			
5. Capitated Physician Services	1,551,439	4,644,299	7,121,316
6. Fee-for-Service Physician Services	4,918,189	15,140,479	22,856,280
7. Inpatient Hospital Services	12,056,013	38,899,566	60,941,474
8. Outpatient Services	15,764,258	51,690,664	75,810,826
9. Emergency Room Services	4,506,127	15,081,974	19,445,048
10. Mental Health Services	-	-	-
11. Dental Services	-	193	1,724
12. Vision Services	407,380	1,280,807	1,965,999
13. Pharmacy Services	-	-	17
14. Home Health Services	362,693	1,349,166	1,594,500
15. Chiropractic Services	-	-	-
16. Radiology Services	1,051,977	3,353,420	4,845,301
17. Laboratory Services	129,664	427,623	1,687,132
18. Durable Medical Equipment Services	500,596	1,631,729	2,760,936
19. Transportation Services	2,052,819	5,405,829	7,049,831
20. Outside Referrals	-	-	-
21. Medical Incentive Pool and Withhold Adjustments	-	-	-
22. Occupancy, Depreciation, and Amortization	-	-	-
23. Other Medical and Hospital Services (Provide detail)	34,017,621	46,303,616	56,255,803
24. Subtotal (Lines 5 to 23)	77,318,776	185,209,365	262,336,188
25. Reinsurance Expenses Net of Recoveries	-	-	237,932
LESS:		-	-
26. Copayments	-	-	-
27. Subrogation	(410)	(9,396)	(343,058)
28. Coordination of Benefits	(206,264)	(674,307)	(1,097,533)
29. Subtotal (Lines 26 to 28)	(206,675)	(683,703)	(1,440,591)
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	77,112,101	184,525,662	261,133,529
Administration:			
31. Compensation	1,232,077	3,862,633	5,295,458
32. Marketing	66,150	164,784	190,044
33. Interest Expense	-	-	-
34. Premium Tax Expense	1,149,983	3,505,447	5,103,560
35. Occupancy, Depreciation and Amortization	106,557	433,935	493,773
36. Other Administration (Provide detail)	2,380,853	7,614,119	12,251,482
37. TOTAL ADMINISTRATION (Lines 31 thru 36)	4,935,620	15,580,918	23,334,317
38. TOTAL EXPENSES (Lines 30 and 37)	82,047,721	200,106,581	284,467,846
39. NET INCOME (LOSS) (Line 4 less 38)	328,824	965,071	1,683,187

Statement as of September 30, 2006 of UAHC Health Plan of TN Inc.

<b><u>Line 6 - Other Revenue</u></b>	<b>Current Period</b>	<b>Current Year to Date</b>	<b>Prior Year</b>
Pharmacy Rebates	\$0	\$0	\$2,612
Administrative Fee Revenue from State	4,012,884	12,159,979	19,376,570
Revenue from State for Premium Tax	1,149,983	3,505,447	5,103,559
Miscellaneous Revenue	-	-	83,522
Shared Risk Revenue	-	360,956	-
IBNR	28,434,000	28,434,000	30,793,000
Total	<u>\$33,596,868</u>	<u>\$44,460,383</u>	<u>55,359,263.00</u>

**Line 23 - Other Medical and Hospital Services**

Other Referral/Specialist Services	\$5,584,660	\$17,944,292	\$25,462,803
Other	(\$1,039)	(\$74,676)	
Physical Therapy	-	-	
IBNR	28,434,000	28,434,000	30,793,000
Total	<u>\$34,017,621</u>	<u>\$46,303,616</u>	<u>\$56,255,803</u>

**Line 36 - Other Administration**

Accounting Services	\$5,666	\$98,073	68,928
Legal Services	\$208	\$208	510
Professional Services	1,386,247	4,220,327	5,284,609
Board of Directors' Meetings	16,877	48,691	77,019
Bank Charges	964	2,395	4,215
Administrative Expenses	848,304	2,523,319	1,736,181
Consumables	72,323	211,416	466,192
Travel & Entertainment	38,254	115,114	153,688
Other Unassigned	(173,435)	(283,669)	2,109,854
Miscellaneous Expense	\$0		-
Provision for Income Taxes	185,444	633,045	492,992
Provision for Income Taxes of Mgmt company		45,200	1,857,294
Total	<u>\$2,380,853</u>	<u>\$7,614,119</u>	<u>\$12,251,482</u>



CASH FLOW

Cash from Operations	1 Current Year To Date	2 Prior Year Ended December 31
1. Premiums collected net of reinsurance		157,033
2. Net investment income	259,317	277,979
3. Miscellaneous income	445,027	537,141
4. Total (Lines 1 to 3)	704,344	972,153
5. Benefit and loss related payments		
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	(141,950)	(972,338)
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ 0 net of tax on capital gains (losses)	185,444	492,992
10. Total (Lines 5 through 9)	43,494	(479,346)
11. Net cash from operations (Line 4 minus Line 10)	660,850	1,451,499
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	45,309	
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	45,309	
13. Cost of investments acquired (long-term only):		
13.1 Bonds	310,000	4,900,900
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications	27,970	30,706
13.7 Total investments acquired (Lines 13.1 to 13.6)	337,970	4,931,606
14. Net increase (or decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(292,661)	(4,931,606)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)	711,293	(291,278)
17. Net cash from financing and miscellaneous sources (Line 16.1 through 16.4 minus Line 16.5 plus Line 16.6)	711,293	(291,278)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	1,079,482	(3,771,385)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	1,382,091	5,153,476
19.2 End of period (Line 18 plus Line 19.1)	2,461,573	1,382,091

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001.		
20.0002.		
20.0003.		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1	Comprehensive (Hospital & Medical)		4	5	6	7	8	9	10	11	12	13
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
Total Members at end of:													
1. Prior Year	122,260								122,260				
2. First Quarter	117,524								117,524				
3. Second Quarter	115,851								115,851				
4. Third Quarter	112,981								112,981				
5. Current Year	112,981								112,981				
6. Current Year Member Months	1,077,184								1,077,184				
Total Member Ambulatory Encounters for Period:													
7. Physician	208,738								208,738				
8. Non-Physician	31,343								31,343				
9. Total	240,081								240,081				
10. Hospital Patient Days Incurred	16,787								16,787				
11. Number of Inpatient Admissions	3,768								3,768				
12. Health Premiums Written													
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned													
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services													
18. Amount Incurred for Provision of Health Care Services													

**NONE                      Claims Unpaid (Reported and Unreported)**

**NONE                      Underwriting and Investment Exhibit**

1. **Summary of Significant Accounting Policies**

A. Accounting Practices

The financial statements of UAHC Health Plan of Tennessee, Inc. are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance.

The Tennessee Department of Commerce and Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (the NAIC) *Accounting Practices and Procedures* manual, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Tennessee.

There are no reconciling items between the Company's net income and capital and surplus between NAIC SAP practices prescribed and permitted by the state of Tennessee.

2. **Accounting Changes and Corrections of Errors**

None

3. **Business Combinations and Goodwill**

None

4. **Discontinued Operations**

None

5. **Investments**

None

6. **Joint Ventures, Partnerships and limited Liability Companies**

None

7. **Investment Income**

None

8. **Derivative Instruments**

9. **Income Tax**

None

10. **Information Concerning Parent, Subsidiaries and Affiliates**

None

11. **Debt**

None

12. **Retirement Plans, Deferred Compensation, Post employment benefits and Compensated Absences and other Postretirement Benefit Plans**

None

13. **Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi Reorganizations.**

None

14. **Contingencies**

None

15. **Leases**

No Change

16. **Off Balance Sheet Risk**

None

17. **Sale, Transfer and Servicing of Financial Assets and Extinguishments Of Liabilities.**

**C. Wash Sales**

None

18. **Gain or loss to the company from Uninsured A&H Plans and Uninsured Portion of Of Partially Insured Plans**

None

19. **Direct Premium Written/Produced by managing general agents/third party Administrators.**

None

20. **Other Items**

UAHC-TN has received notice from TennCare that it earned additional revenue of approximately \$0.2 million and \$0.2 million, respectively, for its performance under the modified risk arrangement for the third and fourth quarters of calendar year 2005. Such additional revenue has been recorded. UAHC-TN expects to similarly earn additional revenue of approximately \$0.2 million for each of the first and second quarters of calendar year 2006. UAHC-TN will record such earnings only upon receipt of final notification from TennCare.

21. **Events Subsequent**

None

22. **Reinsurance**

None

23. **Retrospectively Rated Contracts**

None

24. **Organization and Operations**

None

25. **Salvage and Subrogation**

None

26. **Change in Incurred claims and Claim adjustment Expense**  
None

27. **Minimum Net Worth**  
No Change

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes [ ☐ ] No [ ☒ ]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes [ ☐ ] No [ ☒ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [ ☐ ] No [ ☒ ]
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end?  
If yes, complete the Schedule Y - Part 1 - organizational chart.

Yes [ ☐ ] No [ ☒ ]
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ☐ ] No [ ☒ ]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes [ ☐ ] No [ ☒ ] N/A [ ☐ ]
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

04/30/2005
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2004
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/31/2006
- 6.4 By what department or departments? DEPARTMENT OF COMMERCE AND INSURANCE
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [ ☐ ] No [ ☒ ]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ☐ ] No [ ☒ ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ☐ ] No [ ☒ ]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC



GENERAL INTERROGATORIES (Continued)

FINANCIAL

9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

Yes [ ] No [X]

\$

INVESTMENT

10.1 Has there been any change in the reporting entity's own preferred or common stock?

10.2 If yes, explain

Yes [ ] No [X]

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

11.2 If yes, give full and complete information relating thereto:

Yes [ ] No [X]

12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

13. Amount of real estate and mortgages held in short-term investments:

\$

\$

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

14.2 If yes, please complete the following:

Yes [ ] No [X]

	1	2
	Prior Year-End Book/ Adjusted Carrying Value	Current Quarter Statement Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$	\$
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	\$	\$
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?  
If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes [ ] No [X]

Yes [ ] No [X]

Yes [ ] No [X]

1	2
Name of Custodian(s)	Custodian Address
AMSOUTH BANK	NASHVILLE TENNESSEE

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

16.4 If yes, give full and complete information relating thereto:

Yes [ ] No [X]

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

17.2 If no, list exceptions:

Yes [X] No [ ]

SCHEDULE A - VERIFICATION

Real Estate

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year		
2. Increase (decrease) by adjustment		
3. Cost of acquired		
4. Cost of additions to and permanent improvements		
5. Total profit (loss) on sales		
6. Increase (decrease) by foreign exchange adjustment		
7. Amount received on sales		
8. Book/adjusted carrying value at end of current period		
9. Total valuation allowance		
10. Subtotal (Lines 8 plus 9)		
11. Total nonadmitted amounts		
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)		

SCHEDULE B - VERIFICATION

Mortgage Loans

	1	2
	Year To Date	Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year		
2. Amount loaned during period:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Accrual of discount and mortgage interest points and commitment fees		
4. Increase (decrease) by adjustment		
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period		
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)		
12. Total nonadmitted amounts		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)		

SCHEDULE BA - VERIFICATION

Other Invested Assets

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	2,605,000	2,600,000
2. Cost of acquisitions during period:		
2.1 Actual cost at time of acquisitions		
2.2 Additional investment made after acquisitions		
3. Accrual of discount		
4. Increase (decrease) by adjustment	8,703	5,000
5. Total profit (loss) on sale		
6. Amounts paid on account or in full during the period		
7. Amortization of premium		
8. Increase (decrease) by foreign exchange adjustment		
9. Book/adjusted carrying value of long-term invested assets at end of current period	2,613,703	2,605,000
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	2,613,703	2,605,000
12. Total nonadmitted amounts		
13. Statement value of long term invested assets at end of current period (Page 2, Line 7, Column 3)	2,613,703	2,605,000

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1	2
	Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	7,140,257	2,346,897
2. Cost of bonds and stocks acquired	310,000	4,851,369
3. Accrual of discount		
4. Increase (decrease) by adjustment	(17,339)	(58,009)
5. Increase (decrease) by foreign exchange adjustment		
6. Total profit (loss) on disposal		
7. Consideration for bonds and stocks disposed of		
8. Amortization of premium		
9. Book/adjusted carrying value, current period	7,432,918	7,140,257
10. Total valuation allowance		
11. Subtotal (Lines 9 plus 10)	7,432,918	7,140,257
12. Total nonadmitted amounts		
13. Statement value	7,432,918	7,140,257

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book / Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book / Adjusted Carrying Value End of First Quarter	6 Book / Adjusted Carrying Value End of Second Quarter	7 Book / Adjusted Carrying Value End of Third Quarter	8 Book / Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. Class 1	7,342,439	45,000	45,309	90,788	7,140,257	7,342,439	7,432,918	7,140,257
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. Total Bonds	7,342,439	45,000	45,309	90,788	7,140,257	7,342,439	7,432,918	7,140,257
<b>PREFERRED STOCK</b>								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds & Preferred Stock	7,342,439	45,000	45,309	90,788	7,140,257	7,342,439	7,432,918	7,140,257

**NONE                      Schedule DA - Parts 1 and 2**

**NONE                      Schedule DB - Part F - Section 1**

**NONE                      Schedule DB - Part F - Section 2**

**NONE                      Schedule S**

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

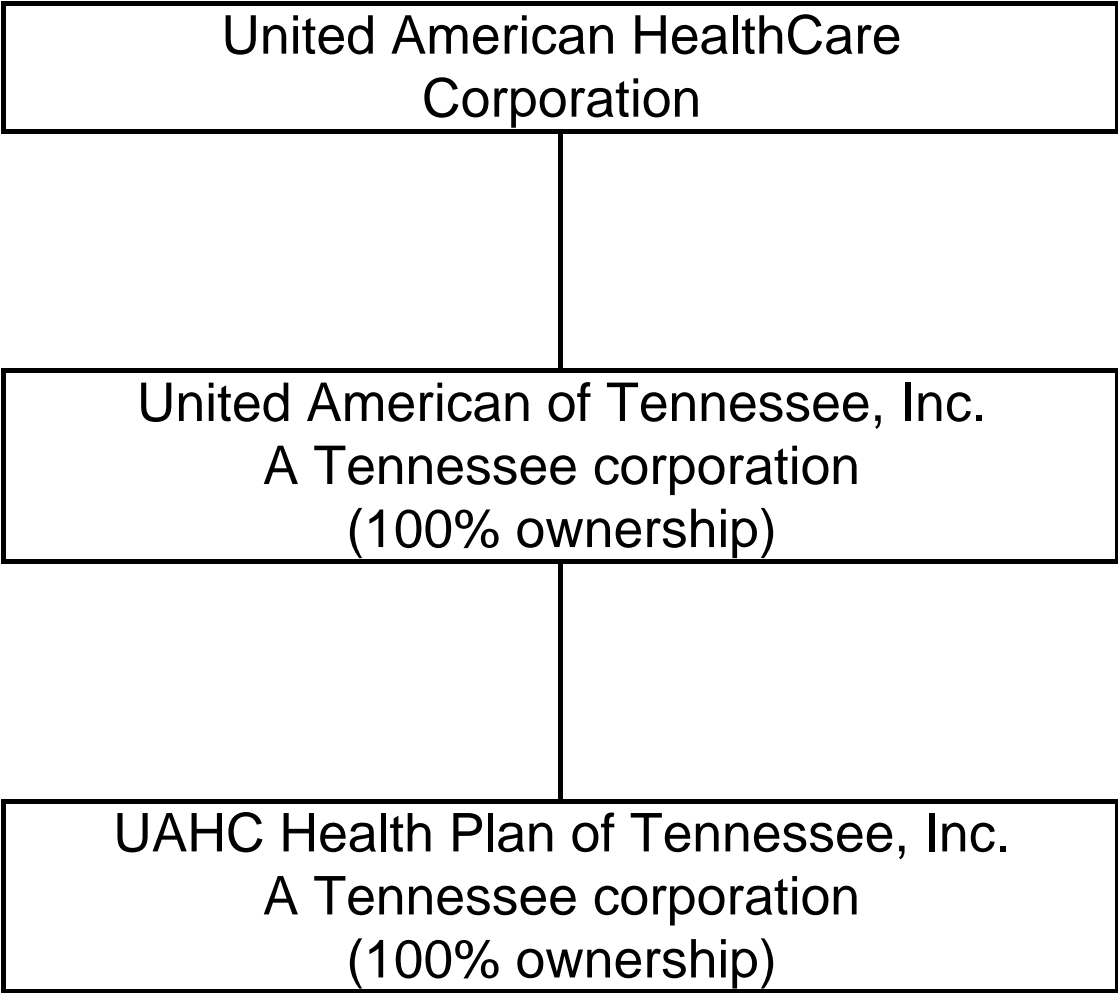
			Direct Business Only Year To Date							
			1	2	3	4	5	6	7	8
State, Etc.			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident and Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life and Annuity Premiums and Deposit-Type Contract Funds	Property/Casualty Premiums
1.	Alabama	AL	NO	NO						
2.	Alaska	AK	NO	NO						
3.	Arizona	AZ	NO	NO						
4.	Arkansas	AR	NO	NO						
5.	California	CA	NO	NO						
6.	Colorado	CO	NO	NO						
7.	Connecticut	CT	NO	NO						
8.	Delaware	DE	NO	NO						
9.	Dist. Columbia	DC	NO	NO						
10.	Florida	FL	NO	NO						
11.	Georgia	GA	NO	NO						
12.	Hawaii	HI	NO	NO						
13.	Idaho	ID	NO	NO						
14.	Illinois	IL	NO	NO						
15.	Indiana	IN	NO	NO						
16.	Iowa	IA	NO	NO						
17.	Kansas	KS	NO	NO						
18.	Kentucky	KY	NO	NO						
19.	Louisiana	LA	NO	NO						
20.	Maine	ME	NO	NO						
21.	Maryland	MD	NO	NO						
22.	Massachusetts	MA	NO	NO						
23.	Michigan	MI	NO	NO						
24.	Minnesota	MN	NO	NO						
25.	Mississippi	MS	NO	NO						
26.	Missouri	MO	NO	NO						
27.	Montana	MT	NO	NO						
28.	Nebraska	NE	NO	NO						
29.	Nevada	NV	NO	NO						
30.	New Hampshire	NH	NO	NO						
31.	New Jersey	NJ	NO	NO						
32.	New Mexico	NM	NO	NO						
33.	New York	NY	NO	NO						
34.	North Carolina	NC	NO	NO						
35.	North Dakota	ND	NO	NO						
36.	Ohio	OH	NO	NO						
37.	Oklahoma	OK	NO	NO						
38.	Oregon	OR	NO	NO						
39.	Pennsylvania	PA	NO	NO						
40.	Rhode Island	RI	NO	NO						
41.	South Carolina	SC	NO	NO						
42.	South Dakota	SD	NO	NO						
43.	Tennessee	TN	NO	NO			(84,071)			
44.	Texas	TX	NO	NO						
45.	Utah	UT	NO	NO						
46.	Vermont	VT	NO	NO						
47.	Virginia	VA	NO	NO						
48.	Washington	WA	NO	NO						
49.	West Virginia	WV	NO	NO						
50.	Wisconsin	WI	NO	NO						
51.	Wyoming	WY	NO	NO						
52.	American Samoa	AS	NO	NO						
53.	Guam	GU	NO	NO						
54.	Puerto Rico	PR	NO	NO						
55.	U.S. Virgin Islands	VI	NO	NO						
56.	Northern Mariana Islands	MP	NO	NO						
57.	Canada	CN	NO	NO						
58.	Aggregate other alien	OT	X X X	X X X						
59.	Subtotal		X X X	X X X			(84,071)			
60.	Reporting entity contributions for Employee Benefit Plans		X X X	X X X						
61.	Total (Direct Business)		X X X	(a) 0			(84,071)			

DETAILS OF WRITE-INS							
5801.							
5802.							
5803.							
5898. Summary of remaining write-ins for Line 58 from overflow page							
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)							

(a) Insert the number of yes responses except for Canada and other Alien.



SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART



**NONE                      Schedule A - Part 2 and 3**

**NONE                      Schedule B - Part 1 and 2**

**NONE                      Schedule BA - Part 1 and 2**

## SCHEDULE D - PART 3

**Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter**

[illegible]

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues	0
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**NONE                      Schedule D - Part 4**

**NONE                      Schedule DB - Part A and B - Section 1**

**NONE                      Schedule DB - Part C and D - Section 1**





**NONE                      Schedule E - Part 2**

## EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

[illegible]

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Nonadmitted	Admitted
DUE FROM PROVIDERS				320,249.29	320,249	0
						0
0499999 Receivables not individually listed						
STATE OF TENNESSEE				360,956	360,956	
0599999 Health care receivables	0			681,205	681,205	0

Statement as of September 30, 2006 of UAHC Health Plan of Tennessee, Inc.

## EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

[illegible]

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**OVERFLOW PAGE FOR WRITE-INS**

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